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SUBJECT: France: Telecom and Information Technology Update

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[¶1.](#) This is another in a series of periodic updates on the French telecommunications and information technology sectors, including internet and e-commerce.

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[¶2.](#) Phone rates in France may soon be going up: France Telecom is reportedly negotiating with the French government and with telecom regulator ART to increase subscription rates by 20 percent over the next three years according to reports in French newspapers La Tribune and Le Figaro, AFX News reported from Paris. The company is offering a five percent reduction in local calls rates to offset the increase, La Tribune said.

[¶3.](#) French Telecom Regulator Board Gets New Member: French equivalents of FCC Commissioners are called ART college members and France got a new one when Dominique Roux's term expired recently. On January 4, Edouard Bridoux was named by President Chirac to become the newest ART college member. Born in 1945, Bridoux has been a university full professor since 1975. He began his career in 1972 as conference coordinator ("maître des conférences") at the University of Valenciennes in northeastern France, where he became University President in 1978. The following year, Bridoux rejoined the office of the Minister for higher education, where he became Chief of Staff for the Minister in 1980. From 1986 to 1990, Bridoux was rector of the Academy of Amiens, then Director of the National Superior School of Engineering and Mechanical Energy of Valenciennes from 1992 to 1993, before becoming rector of the Academy of Reims from 1993 to 1995. Bridoux was technical advisor for higher education and research in the Prime Minister's office from 1995 to 1997 and then Director General of the National Institute for Transportation Research and Security (INRETS) from 1997 to 2000. Since 2000, Bridoux has served as technical advisor for higher education and research in the Prime Minister's office. ART college members serve nonrenewable six-year terms. Three of the five members are named by the President; the other two are named by the President of the National Assembly and the President of the Senate respectively.

[¶4.](#) Videophone service soon to be deployed in France: IP and video technology firm Leadtek Research and telecom services provider France Telecom have unveiled what the two firms describe as the world's first large scale deployment of video telephony, "MaLigne visio." Jointly developed by the two companies, MaLigne visio is an IP-based videophone service that lets users see each other during phone conversations. The service utilizes QoS monitoring to achieve real-time video chat, video messaging, video streaming, and information on demand. The service uses Leadtek 8882 videophones with integrated cameras and screens, which subscribers connect to a custom broadband modem and a standard telephone jack. Calls begin without the video, which users activate or deactivate with the press of a button. The videophones receive calls from any type of fixed or wireless phones for regular voice calls, just like a standard phone. MaLigne visio provides customers with a free voice and video messaging service that allows users to retrieve voice and video messages from any other location. Users can also share and discuss photos and video by connecting a digital camera or camcorder to the videophone. According to recent press releases, at launch MaLigne visio will be available to about 75% of the French population.

[¶5.](#) Care to purchase a loss-making Franco-Italian ISP?: Tiscali recently said it had received several takeover offers for LibertySurf, its French internet service

provider, but the Italian group denied planning to sell the company it acquired four years ago for 650 million Euros (\$864 million). LibertySurf had 386,000 ADSL internet subscribers or 5.5% share of the French market in September. It is the fourth largest operator in the French broadband market, and generated nearly 200 million euros in 2003 revenues. Speculation about the potential sale underlines Tiscali's urgent need for cash. Tiscali was forced to sell smaller subsidiaries in Europe and South Africa to raise money for the repayment of a 250 million Euro bond due in July 2005. Industry reports have said that Paris investment bank Rothschild was hired by Tiscali to gauge interest among European rivals for its loss-making French subsidiary, valued by analysts at about 250 million Euros. A Tiscali spokeswoman said: "For the last two months there have been rising rumors that the refinancing Tiscali must do would force it to sell one of its core operations. These rumors and the dynamic growth of the French market encouraged some operators to make expressions of interest for Tiscali France. But Tiscali intends to maintain its presence in France."

16. Someone close to the talks reportedly said that Neuf Telecom, the French internet and telecommunications group controlled by the Louis Dreyfus family, submitted a bid for LibertySurf last month. Neuf Telecom has declined to comment, but, tellingly, documents about Tiscali's French subsidiary were reportedly sent to several of its biggest competitors, including Deutsche Telecom, which owns Club Internet in France, and Iliad, which owns Free, France's second-biggest ADSL provider. Interestingly, the head of LibertySurf quit in August, a month before Tiscali announced the resignation of Renato Soru, its founder and chairman, who left to pursue a political career in his native Sardinia. Any sale of LibertySurf could be complicated by a 30 million euro loan it extended to Tiscali in June 2003. The Italian parent group said it had repaid 18 million euros of the loan with rest to be repaid in the first quarter.

17. France Telecom signs agreement for its North American optical network: The operating subsidiary of U.S.-firm Level 3 Communications Inc. has signed a multi-year agreement to provide transmission and co-location services to France Telecom. Under the terms of the agreement, Level 3 will become FT's primary provider of lit broadband transport and co-location services in North America. Level 3 will supply identified private-line and wavelength circuits across its 19,400-mile optical network in the U.S., which the FT Group will use as a platform to support its customers. "This agreement stands as proof of the strength of our longstanding customer relationship with France Telecom," said Level 3's president and chief operating officer, Kevin O'Hara. "We're pleased that France Telecom will continue to rely on Level 3 as its principal network partner in North America, and we look forward to providing them with the highest quality communications services in the coming years." The new agreement replaces and terminates an earlier, 20-year dark fiber contract signed by the two companies in October 2000. Under the prior agreement, FT acquired a nationwide dark fiber network from Level 3, along with ongoing maintenance and co-location services. The fiber strands leased to FT in the initial transaction will revert to Level 3. The transaction is expected to be completed in the first quarter of 2005.

18. A Bit of Old News - France Telecom and SFR Cegetel fined for anti-competitive pricing: In October 2004, France's competition authority fined France Telecom 18 million euros and its competitor SFR Cegetel 2 million euros, after concluding that both groups practiced anti-competitive pricing tactics toward business customers between 1999 and 2001. The regulator found that the two telecom operators took advantage of their combined mobile and fixed telephony businesses to offer below-cost pricing on calls within their own networks, while charging high prices for other fixed-line operators to call their mobile networks. Through the practice, SFR Cegetel sustained a 65% negative margin from fixed-mobile calls within its own network. For its part, France Telecom sustained a negative margin of 70%, but realized a profit of 244 million euros from billing other fixed-line operators for calls to its mobile network, of which it returned 114 million euros to its business customers. A fixed-line operator would have registered trading losses of 126 million euros over the same period if it had offered the same prices to customers, said the regulator. France Telecom has responded that wholesale prices were fixed by regulator ART and that it plans to file an appeal against the fine.